

TALKING POINTS

- (1) Emergency Financial Manager touched down in Pontiac in March of 2009 (Fred Leeb)**
- (2) His first Executive Order on March 25, 2009, was to silent the voice of the people by not airing the Council meetings.**
- (3) His second Executive Order on March 27, 2009, was to rescind his first Directive which would have directing affected the PEG funds allocated to the city from AT&T that goes to fund the access channel and also Franchise Fees that support the General Fund from Comcast and AT&T.**
- (4) The sale of the Silverdome**
- (5) Lease of the Golf Course**
- (6) The unknown study to privatize the Wastewater Treatment Plant**
- (7) Legal Fees on Opinions of Act 72**
- (8) Emergency Financial Manager Accomplishments #18 sale of dome was proposed 7 Million just a little short sale was \$500,000.00 still looking for \$6.5 Million have you seen it.**

**July 3, 2010 New Emergency Financial Manager
Michael Stampfler**

Council was presented a study by Mr. Stampfler to reduce the Structural Financial Deficit that plagued the city leading into massive cuts and lay offs that has put the city in an unsafe condition.

Here are a few points: I know the State should have a copy of every Order/Directive issued (44)

Page Two

Police vs. Oakland County Sheriff

March 3, 2009 contract was 84 Sheriffs for \$10,632.948 Million Dollars.

October 8, 2010 contract was 74 Sheriffs for \$10,259,969 Million Dollars.

On November 1st 2010 Mr. Stampfler Order #S-28 shows us having 74 sworn officers/sheriffs for \$10,600.000 Million.

Order #S-25 contract with SARCOM shows the cost between city workers to SARCOM there was no savings.

SARCOM \$497,000 vs City Employees \$332,171 overage of \$164,000.

Insurance contract with Blue Cross/Blue Shield vs Humana – Blue Cross/Blue Shield now Humana now we are being sued by Blue Cross.

On January 19, 2011, I sent an email to Mayor and Mr. Stampfler and staff requesting information on savings generated from lay offs, dollars spent on his team, his plan to reduce structured deficit. If every job in the city is to be privatized how the services will be supported to address the citizens needs.

My reply came from Plunkett & Cooney in short I'm interfering with powers of the Emergency Financial Manager.

The Council asked the Emergency Financial Manager to cost out the Police staffing to reflect a change of assignments to reduce total cost and was given a report from Emergency Financial Manager legal team Plunkett & Cooney.

A copy of the Fitch Bond Rating is included shows that both Emergency Financial Managers plan did not help the city.

CITY OF PONTIAC

County of Oakland
State of Michigan

Emergency Financial Manager

DATE: March 25, 2009

Directive 001

City Council Meetings

Pursuant to Public Act 72 of 1990, the Local Government Fiscal Responsibility Act, MCL 141. 1201 to 141.1291, the City Council of the City of Pontiac shall not meet in regular or special session without the prior written approval of the Emergency Financial Manager. Any regular or special session of the City Council of the City of Pontiac scheduled prior to the issuance of this Directive, but not yet convened, is hereby cancelled. All usage of the City Council Chamber must be pre-approved by the Emergency Financial Manager.

This Directive is necessary in order to carry out the duties and responsibilities required of the Emergency Financial Manager as set forth in Public Act 72 of 1990, the Local Government Fiscal Responsibility Act, MCL 141. 1201 to 141.1291, and the contract between the Local Emergency Financial Assistance Loan Board and the Emergency Financial Manager.

This Directive shall have immediate effect.



Fred P. Leeb, Emergency Financial Manager

cc: State of Michigan, Department of Treasury

Emergency Financial Manager
CITY OF PONTIAC
County of Oakland
State of Michigan

DATE: March 27, 2009

Directive #2

Please be advised that Directive #2 is to rescind Directive #1 until further notice.

This Directive shall have immediate effect.

A handwritten signature in cursive script, appearing to read "Fred P. Leeb", is written above a horizontal line.

Fred P. Leeb, Emergency Financial Manager

cc: State of Michigan, Department of Treasury

IMMEDIATE PRESS RELEASE

March 11, 2010

The Pontiac City Council wants what is in the best interests of the City of Pontiac and its citizens. It is our understanding that the sale of the Pontiac Silverdome is still in question due to current litigation. Its ownership status is to be decided by the courts.

Regardless of the outcome of the court's decision and its determination of the ownership of the Silverdome, we wish the owners great success in the City of Pontiac. We will work with the eventual owners of the facility to help restore the Pontiac Silverdome to its former status as a premier venue of world class events.

Respectfully,
The Pontiac City Council



CITY OF PONTIAC
OFFICE OF THE EMERGENCY FINANCIAL MANAGER
47450 Woodward Avenue
Pontiac, Michigan 48342
(248) 758-3030
(248) 758-3166

Fred P. Leeb
Emergency Financial
Manager

ORDER NO. 6 OF THE EMERGENCY FINANCIAL MANAGER

**RE: APPROVAL OF THE MANAGEMENT AND OPERATION
AGREEMENT FOR THE PONTIAC MUNICIPAL GOLF
COURSE BETWEEN THE CITY OF PONTIAC AND
TORRE GOLF MANAGEMENT, INC. AND ELIMINATION
OF FREE GOLF AT THE COURSE**

Effective Date: April 5, 2010

The Local Government Fiscal Responsibility Act (Act 72 of 1990/MCL 141.1201, et. seq.) in Section 141.1219 empowers an Emergency Financial Manager to issue the orders a Manager considers necessary to accomplish the purposes of the Act and any such orders are binding on the local officials or employees to whom they are issued. Section 141.1221 (1) provides that an Emergency Financial Manager may take one or more additional actions with respect to a local government in which a financial emergency has been determined to exist including: (f) **Make, approve, or disapprove any appropriation, contract, expenditure, or loan, ... (p) Exercise the authority and responsibilities of the chief administrative officer and governing body concerning the adoption, amendment, and enforcement of ordinances or resolutions affecting the financial condition of the unit of local government ...** [Emphasis Added].

In my capacity as the Emergency Financial Manager for the City of Pontiac, consistent with MCL 141.1221 (1) (f), on March 31, 2010, I approved the Management and Operation Agreement for the Pontiac Municipal Golf Course between the City of Pontiac and Torre Golf Management, Inc.

In addition, I have determined that due to the financial crisis we are currently confronting, the City can no longer allow individuals to play golf at the Pontiac Municipal Golf Course without paying the full fees assessed for that activity. This applies to all free golf including but not limited to that provided to members of the Municipal Golf Course Advisory Board pursuant to Section 90-27 (c) of the Municipal Code of Pontiac, Michigan. In accordance with MCL 141.1221 (1) (p) this Order specifically amends Section 90-27 (c) by deleting "... except each member shall be given an annual non-transferable pass while appointed and serving as an active member on the advisory board for the member and an accompanying guest for use at the golf course. This pass may be used in lieu of greens fees only." Section 90-27 (c) as amended shall now provide: All members of the advisory board shall serve without compensation. Members may be reimbursed for necessary and reasonable expenses incurred in the performance of their official duties consistent with policies and procedures of the city.

2010 APR - 7 A 9:30

RECEIVED
CITY OF PONTIAC

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June 8, 2009

Mr. Fred Leeb
Emergency Financial Manager
City of Pontiac
47450 Woodward Avenue
Pontiac, MI 48342

Re: Authority of The Emergency Financial Manager

Dear Mr. Leeb:

This letter is in response to your request for an opinion as to the extent of your authority pursuant to the Local Government Fiscal Responsibility Act, MCLA §141.1201 et seq. In this regard, we have reviewed the Local Governmental Fiscal Responsibility Act, the Home Rule Charter for the City of Pontiac, and the Home Rules Cities Act, MCLA §117.1 et seq. In addition, we have also reviewed the February 20, 2009 letter from the Honorable Governor Jennifer M. Granholm to Mayor Clarence E. Phillips setting forth a determination that a financial emergency exists in the City of Pontiac. In addition, we have also reviewed the following cases:

- *Flint City Counsel, Darryl Buchanan, John Coleman, and Scott Kincaid v State of Michigan*, 253 Mich App 378 (2002);
- *Rena A. Decatur, et al v Auditor of the City of Peabody, et al*; 251 Mass. 82 (1925)

The authority of the Emergency Financial Manager is found in the Local Government Fiscal Responsibility Act including, but not limited to MCLA §141.1221. Initially, two (2) provisions of that section would, at first review, appear to be inconsistent. MCLA §141.1221(1) reads as follows:

“(1) An emergency financial manager may take 1 or more of the following additional actions with respect to a unit of local government in which a financial emergency has been determined to exist:

...Except as restricted by charter or otherwise, sell or otherwise use the assets of the unit of local government to meet past or current obligations,

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provided the use of assets for this purpose does not endanger the public health, safety, or welfare of residents of the unit of local government.”

MCLA §141.1221(p) reads as follows:

“(p) Exercise the authority and responsibilities of the chief administrative officer and governing body concerning the adoption, amendment, and enforcement of ordinances or resolutions affecting the financial condition of the unit of local government as provided in the following acts:

(i) The home rule city act, 1909 PA 279, MCL 117.1 to 117.38.”

Section (l) cited above provides that the Emergency Financial Manager may sell or use the assets to pay past or current obligations “Except as restricted by charter or otherwise”, while Section (p) grants the Emergency Financial Manager all of the authority and responsibilities of the Chief Administrative Officer and the Governing Body of the City concerning adoption, amendment, and enforcement of ordinances or resolutions. Simply stated, one appears to restrict and the other appears to grant.

The rules of construction presume that when interpreting statutory provisions they are to be read as being consistent with each other. In *Decatur, et al v City of Peabody, et al*, 251 Mass 82, 87 (1925). The Massachusetts Court when interpreting different provisions of the statutes known as the general laws stated the rule of construction as follows:

“There is no indication of legislative thought that there was any inconsistency or repugnancy between the several statutes thus consolidated. There is every presumption that this body of statute law was intended to be consistent and harmonious. It must, if reasonably practicable, be interpreted in furtherance of that intention.”

The Home Rule Charter for the City of Pontiac has several provisions relating to the authority of the City Council and the Mayor. These provisions include, but are not necessarily limited to the following:

Section 3.108 Voting - Except as otherwise required by this charter, no action of the Council shall be effective unless adopted by a majority of Council members serving...

Section 3.109 Council Action -The Council shall act for the City only by ordinance or resolution.

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Section 3.112 Ordinance Procedure –(c) The adoption of any ordinance by the Council shall require a majority of Council members serving. (f) The Mayor, within seven (7) days of receipt of an ordinance or resolution, may return it to the clerk with a veto and a written statement explaining the veto. However, with respect to an emergency ordinance, the Mayor shall notify the Council of a veto in any reasonable manner within 24 hours after the Mayor's office receives written notice from the Clerk that the emergency ordinance has been adopted. An ordinance or resolution vetoed by the Mayor can be reconsidered by the Council only at a meeting within one week after receipt of the Mayor's veto. Five Council members may adopt the ordinance or resolution over the Mayor's veto.

Section 3.113 Transfer of City Property; Contracts – The City may not sell, lease, exchange, or in any way dispose of any real property of the City or any personalty of the City, ...without approval, after public notice and hearing, by resolution of the Council. Nor may the City enter into a contract, if there is not a sufficient unencumbered appropriation available to discharge fully the City's obligation thereunder, without approval by the Council.

Section 3.120 Control of City Payroll – No compensation or salary shall be paid to appointees, members of boards or commissions, or employees of the City except as approved by the Council.

Section 4.102 Duties of the Mayor - The Mayor possesses all powers inherent in being the chief operating officer of the executive branch, including:

- a. Seeing that laws and ordinances are faithfully executed;
- b. Presenting the proposed annual budget and a state of the City address;
- c. Supervising expenditures of all sums appropriate to and the attainment of all objectives established for departments of the executive branch.

Section 4.106 Appointment of Directors; Failure to Act on Appointments – Except as otherwise provided by law or this charter, the Mayor shall appoint for each department of the executive branch a director who serves at the pleasure of the Mayor as head of the department. Each appointment is subject to approval by the Council.

If a mayoral appointment is not disapproved by the Council within 30 days, the appointment is effective.

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4.203 Settlements – No civil litigation of the City may be settled without the consent of the Council.

If the foregoing are construed as restrictions within the statutory provision of Section (l) which reads "Except as restricted by charter", then the grant of authority in Section (p) giving the Emergency Financial Manager the authority and responsibilities of the Chief Administrative Officer and Governing Body would literally be meaningless. This was not the intent of the legislature in enacting the Local Government Fiscal Responsibility Act.

To restrict something is defined as "to confine or keep within limits, as of action". The Charter doesn't *confine* or limit the action of the Council or Mayor, it *defines* it.

The Emergency Financial Manager is empowered by Section (p) of the Act, granting to him the authority and responsibilities of the Chief Administrative Officer and Governing Body. The Emergency Financial Manager, in fact, by statutory grant, and the exercise of the Governor's authority, has been given all of the powers of Council and the Mayor. The Emergency Financial Manager, therefore, cannot be limited in the exercise of his authority by actions of the Council or Mayor after his appointment. To construe provisions (l) and (p) as being contradictory would frustrate the rules of construction and the purposes of the Act. The legislature sets forth its purposes in the Act in MCLA §141.1202, which reads as follows:

141.1202 Legislative determinations.

Sec. 2.

The legislature hereby determines that the public health and welfare of the citizens of this state would be adversely affected by the insolvency of units of local government, including certain school districts, and that the survival of units of local government is vitally necessary to the interests of the people of this state to provide necessary governmental services. The legislature further determines that it is vitally necessary to protect the credit of the state and its political subdivisions and that it is a valid public purpose for the state to take action and to assist a unit of local government in a fiscal emergency situation to remedy this emergency situation by requiring prudent fiscal management. The legislature, therefore, determines that the authority and powers conferred by this act constitute a necessary program and serve a valid public purpose.

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In *Flint v State of Michigan*, 253 Mich App 378, 390 (2002), the Court of Appeals stated as follows:

“B. The Statutory Framework

We begin by observing that the Local Government Fiscal Responsibility Act is an exercise of the state’s authority over its political subdivisions. A municipal corporation’s ‘existence is entirely dependent on the legislation that created it, and the Legislature that may also destroy it.’ *Oakland County Bd of Rd Comm’rs v MPCGA*, 456 Mich. 590, 609; 575 N.W.2d 751; As has been stated many times, the Legislature’s authority in this regard is absolute except with regard to certain express constitutional grants and limitations of power.”

The quote continues on page 394 to further state:

“..The city’s interpretation of the statute violates the well-established rule that courts should avoid any construction that would render statutory language nugatory.....

This is particularly true in light of the purpose of the act, which is to protect our citizens from the potentially disastrous consequences of long-term mismanagement of municipal funds....”

To interpret provisions (l) and (p) as being contradictory would frustrate the purposes of the Act. It would frustrate the executive authority of the Governor of the State of Michigan, who, pursuant to this Act made findings of fact and declared that a financial emergency exists in the City of Pontiac. The Governor, in her February 20, 2009 letter to Mayor Phillips set forth the preliminary review of these findings regarding the conditions that have led to the serious financial problems of the City of Pontiac. On page 3 of the Governor’s letter, she identifies two of her findings as follows:

- “The Mayor’s office and the City Council have exhibited an ongoing inability to resolve the City’s budget issues.
- City officials have struggled to develop a meaningful budget. The budget lacked sufficient detail to compare the actual revenues and expenditures to budgeted revenues and expenditures. Consequently, it was difficult for City officials and other personnel to make the

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necessary comparisons. The adopted budget had a 90-day allocation which did not designate the entire fiscal year amounts to the budget. It was unclear what course of action was to be taken once the 90 days expired. The adopted budget did not reduce the estimated 2007 fiscal year deficit of over \$6 million, nor did it address the structural 2008 deficit of approximately \$6 million.”

The Local Government Fiscal Responsibility Act was created by the legislature; the same legislature that “created” the City of Pontiac, and the same legislature that could “destroy” the City of Pontiac. It, therefore, supersedes the City Charter and must, in construing its terms, be read as fulfilling its purpose of bringing sound financial management to the City of Pontiac. We can be guided by the Supreme Court in Massachusetts when it interpreted the importance of the Massachusetts Municipal Finance Act in 1925, which was also intended to bring sound financial management to cities, the Court stated as follows:

“The purpose of that act in general was to set rigid barriers against expenditures in excess of appropriations, to confine the borrowing of money and the issuance of municipal bonds within strict limits and to put all cities upon a sound financial basis as far as possible by legislation. That statute was new in kind with reference to the fiscal management of cities. It ought to be interpreted so as to effectuate its highly salutary and important purpose.”

The Massachusetts Supreme Court went on further to state:

“A statute, such as that dealing with municipal finance, commonly carries with it an implication that all other provisions of law are to yield to its terms. Its general scope and main purpose are directed toward uniformity, clarity and economy in the use of public funds.”

Ibid at 362

Before concluding, we believe it is also important to address what the legislature may have intended in Section (l), when it enacted “except as restricted by Charter or otherwise.”

As stated before, to restrict means to “confine or keep within limits, as of action”. Section (p) of the Act grants the Emergency Financial Manager all of the powers and authority of the Chief Administrative Officer (Mayor) and the Governing Body (the Council). Therefore, where the Mayor and Council would have been restricted by the

BEIER HOWLETT

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Charter, the Emergency Financial Manager would likewise be restricted by the Charter. The Home Rule Charter of the City of Pontiac does not restrict the Council or Mayor as do other Home Rule City Charters throughout the state. An example of a restriction upon the authority of Council or the Mayor can be found in the City Charters of neighboring communities such as Birmingham and Rochester where the sale of public property requires a vote of the electorate. When those Charters were adopted by the citizens of those communities, the electorate reserved to itself the power to sell real estate and did not grant that power to its legislative body or administrative officers. This would exemplify a Charter restriction that would be applicable to the power of the Emergency Financial Manager. It is not a power that was granted to the Governing Body or the Chief Administrative Officer of those cities. However, that is not the case in the City of Pontiac, which allows the sale of property by vote of the City Council.

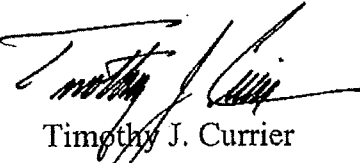
CONCLUSION

It is our opinion that the Emergency Financial Manager, pursuant to MCLA §141.1221(p) has all of the authority of the Mayor (as Chief Administrative Officer) and the City Council (as the Governing Body) concerning the adoption, amendment and enforcement of ordinances and resolutions affecting the financial condition of the City of Pontiac. The provisions of the Home Rule Charter of the City of Pontiac cited herein are not restrictions on the authority of the Emergency Financial Manager. Therefore, the Emergency Financial Manager has all the authority of the Mayor and the City Council with respect to any and all matters that affect the financial condition of the City.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

BEIER HOWLETT, P.C.



Timothy J. Currier

TJC/jc

Fred Leeb, Emergency Financial Manager

November 10, 2009

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City of Pontiac Staff Accomplishments

Accomplishments Since March 2009

1. Cuts of all non-essential administrative personnel and other expense totaling approximately \$2.2 million in FY10 budget compared to FY09 budget.
2. EFM personally approving all payments on invoices, wire transfers, personnel changes, almost all contracts, legal fees and settlements
3. Approximate \$700,000 surplus (unaudited) generated in fiscal year ended June 30, 2009 (including \$2.0 million gain on the sale of the hospital to be applied to the reduction of the City's cumulative deficit). Cumulative deficit at June 30, 2009 estimated to be \$6.3 million (unaudited). Total debt in all City funds at June 30, 2009 was approximately \$103 million.
4. Renaissance zone established for Raleigh Michigan Film Studios; commitment of at least \$40 million in capital spending by January 1, 2012.
5. Blue Cross refund collected of \$3.4 million in August 2009 (overpayments due to the overlap of expense while completing the transfer to Humana).
6. Staff/citizen/Garden Club grass roots effort to beautify City Hall and the Police Station; approximately 25 people worked in June to remove weeds that had overgrown the flowerbeds for years.
7. Changed insurance agent of record, saved approximately \$160,000 in fees and eliminated \$9,000 of past consulting fees in September 2009.
8. Silverdome zoning changed from R1 (single family residential) to a highly flexible business oriented classification
9. Silverdome full-time manager eliminated and security staff cut by approximately \$3,000/week.
10. Obtained property insurance coverage for the Silverdome (previously covered only by liability insurance)
11. Prepared balanced budget for FY10 including anticipated tax revenue and revenue sharing reductions.
12. Have utilized only one additional part-time consultant to help in the City's turnaround process, remainder of work being done by City staff.
13. Successfully completed negotiations with the Pontiac fire fighters union to create major win/win/win result for the fire fighters, citizens of Pontiac and City staff for annualized savings of \$3.0 million (the contract had expired on June 30, 2004; arbitration underway since 2007)
 - a. Reduced minimum manning requirement from 30 to 24 fire fighters on duty per 24-hour shift, reduced maximum vacation days from 6 to 4 per day, eliminated Super Kelly days and reduced personal days from 2 to 1 per day. This should eliminate virtually all fire department overtime which was approximately \$2.1 million in FY09.
 - b. Fire fighter headcount has been reduced from approximately 116 in FY09

Fred Leeb, Emergency Financial Manager

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- to approximately 90. Approximately 29-35 senior fire fighters will retire from November 1 through December 31, 2009; some of these will be replaced by new lower-cost fire fighters. Retirement incentives were provided in the new contract.
- c. No pay increases from 7/1/04 through 6/30/10.
 - d. Now able to establish reserve unit in the Fire Department for the first time.
 - e. Active fire fighters and those who retire after November 19, 2009 will now pay \$1,500/year towards their medical benefits
 - f. Fire fighters will now be subject to significant co-pay amounts for doctor visits, prescriptions, emergency room visits, etc.
 - g. The union agreed the City's payments of a union grievance (approximately \$240,000) could be contributed instead to the cost of their health care coverage
 - h. New fire fighters will have only up to \$9,000 of their medical insurance costs paid by the City (as compared to \$13,500/year currently).
 - i. Overtime needs will be filled rank for rank (or, if needed, one step down) instead of based solely on equalized overtime across the board (for example, it will no longer be necessary to fill a fire fighter position with a captain if the captain has the least overtime).
- 14. Implemented Collective Bargaining Agreement Impasse Agreements for Teamsters 214 and AFSCME 2002 to reduce labor expense.
 - 15. Furlough days implemented October 16, 2009 (one day every other week) saving approximately \$35,000 per day (due to the slow process to renegotiate lower cost health care with City employees and retirees)
 - 16. New policy instituted at the end of October 2009 to require that all non-emergency overtime be approved in advance by the Emergency Financial Manager
 - 17. Plante & Moran now operating as full-time CFO and Controller; Finance Director position eliminated without increase in cost (saving over \$100,000/year)
 - 18. Rod Blake hired to be Director of Special Projects three days/week
 - 19. Home demolition program streamlined and made more efficient to conserve resources and more effectively address blight.
 - 20. RFP to purchase or manage the Pontiac Golf Course sent out for bids
 - 21. RFP to obtain engineering services sent out (first time in over ten years; bid received and will be evaluated soon)
 - 22. Started half-hour television shows to highlight the accomplishments of City staff and to answer questions from the public (the first show was aired prior to Halloween and featured the Chiefs of Police and Fire).
 - 23. Obtained COPS grant to pay for four police officers beginning October 1, 2009
 - 24. Obtained Justice Assistance Grant for police personnel in the amount of approximately \$600,000.
 - 25. Homicides at about 50% of last year's level (on a calendar year basis)
 - 26. Four officers from the DEA and four officers from the ATF have moved into the Pontiac Police Department to enable greater cooperation and strengthened efforts to fight narcotics trafficking.
 - 27. Administrative charges, insurance and retiree cost allocations updated (first time

Fred Leeb, Emergency Financial Manager

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in approximately ten years)

28. New contract finalized for all City copiers/printers to save approximately \$54,000 per year (a 48% savings).
29. Filming conducted in downtown Pontiac of Red Dawn
30. Worked to help keep GM operating at the Lake Orion Assembly Plant and the Pontiac Stamping Plant
31. Obtained consent judgment from the Michigan Department of Environmental Quality dated July 24, 2009 greatly relaxing the time limits for performance of the obligations under the City's Wastewater Collection System Analysis and Rehabilitation Program Corrective Action Plan. In addition, the settlement amount of \$36,000 was significantly less than the \$85,000 originally demanded by MDEQ and a fraction of the amount demanded in MDEQ's original complaint.
32. Received correspondence from the MDEQ on August 14, 2009 regarding the State Revolving Fund which identified the City ranking in a fundable range.
33. Dream Cruise and Arts, Beats & Eats were large, successful programs without significant safety or Police-related incidents.
34. Helped to organize new City employee retiree organization with which to negotiate potential medical insurance cost savings (no retiree organization existed previously).
35. Met with senior officials from MDOT to develop new programs to increase number of certified minority contractors able to work on MDOT projects in Pontiac.
36. After continued persistent efforts, collected approximately \$626,000 in November 2009 from MDOT for road work done twelve years ago (deposited in Major Streets Fund).
37. The City of Pontiac has aggressively pursued grant opportunities and has been awarded the following recently:
 - a. Energy Efficiency: \$683,800
 - b. American Recovery and Reinvestment Act: \$2.1 million Clinton River Trail Pedestrian Bridge
 - c. ARRA: \$864,000 Centerpoint Parkway
 - d. ARRA: \$263,000 Joslyn Rd from Walton to City limits
 - e. ARRA: \$187,000 Wayne Street from Pike to Lafayette
 - f. Congestion Mitigation and Air Quality: \$71,500 for the installation of GPS Timer Units
 - g. CMAQ: \$75,000 for Signal Replacement/Upgrade at Saginaw & Pike
 - h. CMAQ: \$69,500 for Signal Replacement/Upgrade at Montcalm & Summit/Stanley
 - i. CMAQ: \$46,080 for Vehicle Replacement
 - j. Safety: \$52,134 for Signal Replacement/Upgrade at Auburn & Sanford
 - k. MDEQ: \$5,250 for Scrap Tire Cleanup
38. Instituted centralized controls over outside attorneys, reduced the number of firms providing services and negotiated to reduce hourly fees to approximately \$125-\$135/hour (with very few exceptions).

Fred Leeb, Emergency Financial Manager

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Significant Projects Currently Underway

1. Negotiating with six other City unions and retirees to have them voluntarily accept lower cost medical insurance and to have them participate in the payment for this lower cost insurance.
2. Prepared and sent preliminary proposal to John McCulloch, Oakland County Water Resources Commissioner, on September 30, 2009 to regionalize and sell the Pontiac Water Treatment Plant with potential proceeds to the City of tens of millions of dollars; now in preliminary discussion phase
3. Considering new Water Treatment Plant management actions in order to save \$1-\$3 million per year in operating costs.
4. Issuing \$16.0 million in Clean Water State Revolving Fund Bonds and \$5.5 million in Drinking Water Revolving Fund Bonds at 2.5% interest with potential of debt forgiveness of approximately \$8.6 million.
5. Preparing to raise water rates by 9.0% and sewer rates by 29.8%. This increase in Pontiac's water rates would result in a cumulative increase of 49.5% over the last eight years as compared to 119.8% over the last eight years by the City of Detroit. The larger increase in sewer rates is needed to compensate for no rate increases in the prior three years.
6. Intending to implement new water billing collection practices, including the potential of water shut-offs if payments are not made by customers. Approximately 21% of the water bills are at least six months past due.
7. Analyzing higher value/lower cost medical benefit plans for the future (also there may be possible savings through McLaren Health System)
8. Finalizing results of audit of all active and retired employees on propriety of their health care coverage to reduce medical insurance costs
9. Developing new, understandable, accurate and timely financial reports for all department heads. There have been two sets of financial reports that have been very difficult to tie together. Main accounting reports did not add up. Income and cash flow projections also being prepared and regularly updated.
10. Potential realignment of hospital/health care services downtown; potential new nursing school
11. Reviewing use of all City-owned cell phones and related costs
12. Working with telephone consultant to obtain new telephone system at no cost to the City (through savings generated by system updates) and to cut other telephone costs by at least \$5,000 per month.
13. Reviewing IT strategic plan and alternative practices
14. Preparing prioritized capital spending plan including justifications for emergency capital expenditure projects (not done since 1996)
15. Reorganizing CDBG Department as a result of investigation by HUD due to past practices and findings of improper home rehabilitation processes (new manager started work November 9, 2009)
16. Intending to set up micro-loan program to stimulate new business in Pontiac using available loan funds that have not been used in many years. May involve local colleges/universities.

Fred Leeb, Emergency Financial Manager

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17. Shutting down City-owned building at 8 Saginaw to save operating expense and consolidate staff into City Hall.
18. Silverdome auction process to be complete by November 16, 2009. The FY10 budget includes an assumption that there will be sufficient proceeds to pay off the cumulative deficit of approximately \$7.0 million at June 30, 2009. The last major interior event at the Silverdome was January 6, 2006.
19. Lawsuit underway against North Oakland Medical Center and other parties to recover up to \$12 million in trust funds originally set up to pay for pre-1993 hospital malpractice claims
20. Efforts underway, with State support, to obtain grant funding for Pontiac Police to help with the impacts of the early release program for prisoners from the Michigan Department of Corrections.
21. Negotiating with Pontiac Library to develop a new operating agreement including rent and debt service payments (to pay the City for rent or the purchase of the furniture, fixtures equipment and the building) to the City (nothing yet in place) and to resolve issues with City employees working for the Library and Library employees in the City's medical benefit and pension plans.
22. Establishing efilig for City's income tax returns to speed processing and eliminate manual input of tax return data.
23. Reviewing expense reimbursements from the Housing Commission to recoup funds due to the City.
24. Hiring tax compliance person to begin to strengthen collection practices
25. Selling two City-owned cemeteries
26. Selling two City-owned community centers
27. Started meetings with Pontiac's medium and large sized businesses to ask them to be more involved in the business community and City affairs
28. Restarting Town Hall meetings beginning November 18th and will conduct follow on meetings every six weeks thereafter
29. Two surplus fire trucks put up for sale to generate potential cash proceeds of at least \$650,000
30. New allocation system being developed to enable charging HUD for appropriate City overhead costs
31. Developing strategic plan for City's approximately 600 owned real estate properties
32. Working with potential developer of Lot 9 (retail and 72-unit residential development)
33. Working with potential developer of the Strand Theater in downtown Pontiac
34. Negotiating new contract for Arts, Beats and Eats.
35. Working with downtown business owners to create sufficient critical mass to revitalize downtown by organizing landlords controlling the available space in approximately 50 buildings--offer to potential tenants 1-3 years of free rent, low cost, free parking, added police patrols and short term leases contingent on others tenants signing at the same time.
36. Trying to develop large new job fair in Pontiac during January 2010
37. Implementing improvements to building permit/inspection systems to provide

Fred Leeb, Emergency Financial Manager

November 10, 2009

Page 7 of 6

efficiencies in the department and generate better information on property activities.

38. Considering alternative methods to sell excess City and police forfeiture properties.
39. Analyzing the availability of \$660,000 in fire escrow funds which may be used to reimburse the City.
40. Financial audit of FY09 started October 2009.

COUNTY OF OAKLAND
OFFICE OF THE SHERIFF

MICHAEL J. BOUCHARD



March 3, 2009

Dear City Council, Mayor Phillips and citizens of Pontiac:

Enclosed is the proposal the city formally requested from the Oakland County Sheriff's Office regarding contracted police services for the city of Pontiac. This proposal is based upon the information that was provided to my office by both the police department and city council regarding your current police budget and current police staffing levels.

While the staffing levels presented in this proposal are a substantial increase over your current officers, we know this is not the optimum level as all public entities are tasked with doing more with less. The severe economic pressures on public budgets have caused all of us to make the adjustments needed to serve the public with the financial resources we are allocated.

Your RFP asked for my recommendation on staffing levels if resources were not under such extreme pressure. While I am certain we can provide a quality, community oriented basic law enforcement service to the City of Pontiac with eighty-four (84) sworn deputies, I would also like to acknowledge that a more normative staffing level for a city such as yours would be approximately 120 deputies. This number would be based on national comparisons and suggested levels by a variety of law enforcement sources. They take into account a comprehensive review of your city.

This document contains a police staffing level that would increase your current police staffing levels by 29% at the **same** cost you are currently spending this fiscal year. I have been told that you want me to appear at a future City Council meeting to make a presentation on this and to answer any questions. I am more than happy to do so and I will be looking forward to a date in the near future to accommodate you.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael J. Bouchard", written in a cursive style.

COUNTY OF OAKLAND
OFFICE OF THE SHERIFF

MICHAEL J. BOUCHARD



January 29, 2009

I. CONCEPT OVERVIEW

**A. HISTORY OF OAKLAND COUNTY SHERIFF'S OFFICE (O.C.S.O.)
CONTRACTING**

For nearly (50) years, the O.C.S.O. has been the leader in police contracting with communities in Oakland County and a model for the rest of the state. The O.C.S.O. currently has the largest number of contracted deputies in the State of Michigan.

The contracts with these municipalities have grown to a total of two hundred fifty-two (252) deputies. The Sheriff's Office provides contracted police services to eleven (11) townships, two (2) villages, and two (2) cities, and all of the county parks (see Schedule B). The number of contracted deputies range from four (4) in the Charter Township of Royal Oak to sixty (60) in the City of Rochester Hills. Current O.C.S.O. contracts provide services to 275,000 Oakland County residents, which represent approximately 23% of the County's population. Almost one in four people in Oakland County currently have the Sheriff's Office as their local police department.

B. SUPPORT SERVICES

Additionally, O.C.S.O. has the following support units:

- Detective Bureau
- Warrant Unit
- Fire/Arson Unit
- Special Investigations Unit (Professional Standards)
- Computer Crimes Unit
- Auto Theft Unit
- Fugitive Apprehension Team (F.A.T.)
- Forensic Lab
- Narcotic Enforcement Team (N.E.T.)
- Special Response Team (S.R.T.)
- Gang Task Force

II. THE CITY OF PONTIAC PROPOSAL**A. STAFFING AND COST**

The contracting of a total of **eighty-four (84)** Oakland County Sheriff's Office sworn personnel is proposed.

At the time of this proposal, it is not possible to provide a three (3) year contract cost figure because the Oakland County Board of Commissioners has not yet set the contract rates beyond 2009.

Based on the attached Schedule A, the average increase per year has averaged 3.5% between 1992 and 2009.

PROPOSED MANPOWER (2009 RATES)

	<u>2009 Annual Rate</u>	<u>Total</u>
1 Captain	\$162,916	\$162,916
3 Lieutenants	\$143,296	\$429,888
2 Detective Sergeants	\$132,320	\$264,640
6 Patrol Sergeants	\$127,676	\$766,056
18 Patrol Investigators	\$120,316	\$2,165,688
52 Patrol Deputies	\$115,672	\$6,014,944
2 Deputy I (Desk Officers)	\$94,426	\$188,852
Approximate Overtime		<u>\$640,000</u>
		\$10,632,984
Clerical Support		\$100,000
Miscellaneous expenses (phones, etc.)		<u>\$100,000</u>

The Captain would function as the Station Commander/Police Chief. He/She would be the direct liaison between the Sheriff's Office and the City. The Captain would report on a regular basis to the Mayor in order to keep the City properly informed. The City will have input into the selection of the Station Commander. The Sheriff's Office will provide all law enforcement services, including the enforcement of City Ordinances.

Proposed Staffing/Shift Assignments

	<u>Day Shift</u>	<u>Afternoon Shift</u>	<u>Midnight Shift</u>
Captain	1	0	0
Lieutenant	2	1	0
Detective Sergeant	1	1	0
Patrol Sergeants	2	2	2
Patrol Deputies	10	19	17
Patrol Investigators	10	0	0
Desk Officer	1	1	0
Directed Patrol	0	4	0
School Liaison (PI)	2	0	0
Warrant Deputy (PI)	1	0	0
Crime Prevention/CRO (PI)	1	0	0
Power Shift	<u>0</u>	6 (7p.m.-3a.m.)	<u>0</u>
	31	34	19

The above proposed manpower distribution contains a margin of flexibility to allow for adjustment as needed.

The figures allow for a minimum of eight (8) patrol cars to be on duty at any given time during the dayshift 7 a.m. to 3 p.m. The figures allow a minimum for fourteen (14) patrol cars to be on duty at any given time during the afternoon shift 3 p.m. to 11 p.m. The figures allow for a minimum of twelve (12) patrol cars to be on duty at any given time during the midnight shift.

A fourth support shift would provide two (2) additional patrol cars on any given day between the hours of 7 p.m. to 3 a.m.

Directed Patrol Unit – A Directed Patrol Unit (DPU) is a small specialty trained group of deputies who are assigned to specific problems occurring in specific areas, such as a neighborhood. They remain dedicated to solving problems and have more flexibility and tactics available to them than general patrol officers. They rely on close involvement and interaction with community members to obtain the goals important to both. Their schedule and tactics are very flexible.

A total of ten (10) detectives would be assigned to criminal investigative duties, eight (8) of which will be general assignment detectives, one (1) assigned to the Narcotics Enforcement Team (N.E.T.) and one (1) to the Gang Task Force.

A. CONTRACT INCLUSIONS

- ♦ Salary
- ♦ Group Life
- ♦ Patrol Cars
- ♦ Retirement
- ♦ Disability
- ♦ Detective Cars
- ♦ Holiday Pay
- ♦ Workers Compensation

- ◆ Sick Leave
- ◆ Annual Leave
- ◆ Optical
- ◆ Unemployment Compensation
- ◆ Dental
- ◆ Uniform Cleaning
- ◆ Uniform Costs
- ◆ Radio/Prep Rental
- ◆ Clothing Allowance
- ◆ Deputy Supplies
- ◆ Liability Insurance
- ◆ Patrol In-Car Video Cameras
- ◆ Dispatch Services
- ◆ Car Insurance
- ◆ Work Station Computers
- ◆ FICA
- ◆ Hospitalization
- ◆ Patrol Car Computers
- ◆ Computerized Mug System

B. DISPATCH SERVICE

All Law Enforcement Dispatch Services are included in the contracting price.

C. RESERVE DEPUTY PROGRAM

The Oakland County Sheriff's Office has a highly successful Reserve Deputy Program with over one hundred ten (110) volunteer deputies.

In 2008, these Reserve Deputies logged over 24,800 hours of service to the citizens of Oakland County at no cost to the taxpayers.

Reserve Deputies ride as a second officer in patrol cars, work security and high school athletic events, parades and emergency situations or disasters.

The Reserve Program would be expanded to serve the citizens of Pontiac. Area residents would be eligible to apply, and if accepted, would receive 100 hours of training via the Oakland County Sheriff's Office Reserve Deputy Academy. This training would be at no cost to the applicant or city. The City of Pontiac would incur no liability or cost for the expansion of this program.

D. PONTIAC STATION

The Oakland County Sheriff's Office will establish a Sheriff's Station in Pontiac at a site mutually agreeable with the City and the Sheriff's Office. This Station will be utilized by the contracted deputies for report writing, interviewing and taking complaints, in the same manner that currently exists.

II. CURRENT PONTIAC OFFICERS/DISPATCHERS

A. OFFICERS DISPLACED BY CONTRACT

All full-time Patrol Officers, Detectives, Sergeants, Lieutenants, Captains and the Chief are eligible to become full-time sworn members subject to the following criteria:

REQUIREMENTS

1. May be hired as Provisional Deputy:
 - (a) Must meet minimum qualifications for Deputy II:
 - Currently M.C.O.L.E.S. Licensed
 - Pass Background Investigation & Oral Interview
 - Pass Physical Exam
 - Pass Drug Screen

All current Pontiac full-time Dispatchers are eligible to become full-time Oakland County Sheriff's Office Dispatch Specialists.

III. PROPRIETARY VS. CONTRACTUAL SERVICES

A. LIABILITY

All liability arising out of the conduct of the contracted deputies, whether they be acts or omissions, shall be the sole responsibility of the County of Oakland. **The contract will hold the City of Pontiac harmless while assuming all liability for all conduct, including motor vehicle operation.** Under the current Proprietary Services, the City of Pontiac assumes all responsibility for the conduct of its police officers.

B. TRANSFER OF PERSONNEL

Should it become necessary to remove a contracted employee from his/her assignment in Pontiac, the Mayor need only request the deputy's transfer. It has been found that not all employees fit into all areas. If a deputy is not compatible with the area, he/she will be transferred to another work location where he/she might better fit in.

IV. CONTRACT IMPLEMENTATION AND CANCELLATION

A. IMPLEMENTATION

The contract with the City of Pontiac could start as soon as it is approved by the Oakland County Board of Commissioners, the City of Pontiac, and the Sheriff. (See Schedule C attached.)

- B. This proposal is based upon the current Pontiac Police Department budget as presented to the Sheriff's Office for the preparation of this proposal.

C. CANCELLATION

The contract can be terminated by either side, for any reason, by giving ninety (90) days written notice.

COUNTY OF OAKLAND
OFFICE OF THE SHERIFF

MICHAEL J. BOUCHARD



October 8, 2010

I. CONCEPT OVERVIEW

**A. HISTORY OF OAKLAND COUNTY SHERIFF'S OFFICE (O.C.S.O.)
CONTRACTING**

For over fifty (50) years, the O.C.S.O. has been the leader in police contracting with communities in Oakland County and a model for the rest of the state. The O.C.S.O. currently has the largest number of contracted deputies in the State of Michigan.

The contracts with these municipalities have grown to a total of two hundred forty-one (241) deputies. The Sheriff's Office provides contracted police services to eleven (11) townships, two (2) villages, and two (2) cities, and all of the county parks (see Schedule B). The number of contracted deputies range from four (4) in the Charter Township of Royal Oak to sixty (60) in the City of Rochester Hills. Current O.C.S.O. contracts provide services to over 275,000 Oakland County residents, which represent approximately 23% of the County's population. One in four people in Oakland County currently have the Sheriff's Office as their local police department.

B. SUPPORT SERVICES

Additionally, O.C.S.O. has the following support units:

- Detective Bureau
- Warrant Unit
- Fire/Arson Unit
- Special Investigations Unit (Professional Standards)
- Computer Crimes Unit
- Auto Theft Unit
- Fugitive Apprehension Team (F.A.T.)
- Forensic Lab
- Narcotic Enforcement Team (N.E.T.)
- Special Response Team (S.R.T.)
- Gang Task Force

- Crime Suppression Task Force (C.S.T.F.)
- Joint Terrorism Task Force
- Marine Safety Unit
- Scuba Dive Rescue Team
- Alcohol Enforcement Unit (A.E.U.)
- K-9 Tracking/Drug and Bomb Dogs
- Aviation Unit
- Traffic Enforcement Unit
- Crash Reconstruction Unit.

The Oakland County Sheriff's Office requires all deputies to participate in intensive in-service training programs. Currently, the department has over thirty-three (33) training programs which are certified by Michigan Commission on Law Enforcement Standards (M.C.O.L.E.S.) and by the Corrections Officers Training Council. Each month, deputies must report to the gun range in order to fire a prescribed shooting course or use of force continuum training. Deputies are assigned to training groups and are regularly scheduled to receive instruction in the following primary examples:

- First Aid
- CPR
- Less Lethal Training
- Domestic Violence
- Anti-Terrorism
- Civil Liability
- High Speed Pursuit
- Use of Force Continuum
- Report Writing
- Preliminary Breath Testing
- Scuba
- Special Response and Active Shooter Training
- Ethnic Diversity Training
- Legal Updates

Local colleges and police academies provide advanced training, which is not conducted in-house by the Sheriff's Office. During the 2009 calendar year, department training totaled approximately 65,040 hours. The Office has over 1,211 personnel.

PROPOSED STAFFING/SHIFT ASSIGNMENTS

	<u>Day Shift</u>	<u>Afternoon Shift</u>	<u>Midnight Shift</u>
Captain	1	0	0
Patrol Lieutenant	1	1	0
Detective Sergeant	1	0	0
Patrol Sergeants	2	2	2
Patrol Deputies	13	17	14
Patrol Warrant Deputy	1	0	0
Patrol Investigators	10	0	0
School Liaison Officer	1	0	0
Power Shift	0	3 (7p.m.-3a.m.)	0
Directed Patrol	<u>0</u>	<u>5</u> (Flex)	<u>0</u>
	30	28	16

B. PATROL DIVISION DEPLOYMENT

Resource allocation to the following shifts are predicated on the assumption of a 3 man support/power shift (7 p.m. to 3 a.m.) and adjusted shift strengths based on calls for service during time of day.

This plan includes management of all leave time. All assigned personnel will rotate their days off every 28 days. Wednesday is our assigned training day and all shift officers are scheduled to work that day. On those occasions when we have no in-service training scheduled, all shift officers would be deployed to patrol and special details with some being utilized for saturation/directed patrol projects, complaint follow up, assist the Detective Bureau, etc. Based on the current Pontiac Police Department budget as presented to the County, this Patrol Division deployment will result in an increase in patrols within the City.

Day Shift**Total 17 Sworn Officers on Shift.**

- (1) Patrol Lieutenant
- (2) Patrol Sergeants
- (13) Deputies
- (1) Warrant Deputy

This will allow for 9 deputies 4 days a week and 8 deputies 2 days a week. On Wednesdays, we will have a shift maximum total of 13 deputies. This shift will be augmented by (1) day shift Lieutenant and (2) day shift Sergeants.

Afternoon Shift**Total 23 Sworn Officers (including Power Shift).**

- (1) Patrol Lieutenant
- (2) Patrol Sergeants
- (17) Deputies

- ♦ Optical
- ♦ Unemployment Compensation
- ♦ Dental
- ♦ Uniform Cleaning
- ♦ Uniform Costs
- ♦ Radio/Prep Rental
- ♦ Clothing Allowance
- ♦ Deputy Supplies (includes all weapons)
- ♦ Liability Insurance
- ♦ Patrol In-Car Video Cameras
- ♦ Dispatch Services
- ♦ Car Insurance
- ♦ Work Station Computers
- ♦ FICA
- ♦ Hospitalization
- ♦ Patrol Car Computers
- ♦ Computerized Mug System

E. RESERVE DEPUTY PROGRAM

The Oakland County Sheriff's Office has a highly successful Reserve Deputy Program with over one hundred ten (110) volunteer deputies.

In 2009, these Reserve Deputies logged over 22,655 hours of service to the citizens of Oakland County at no cost to the taxpayers.

Reserve Deputies ride as a second officer in patrol cars, work security and high school athletic events, parades and emergency situations or disasters.

The Reserve Program would be expanded to serve the citizens of Pontiac. Area residents would be eligible to apply, and if accepted, would receive 100 hours of training via the Oakland County Sheriff's Office Reserve Deputy Academy. Current Pontiac Reserves would be encouraged to apply to the Oakland County Sheriff's Office. This training would be at no cost to the applicant or city. The City of Pontiac would incur no liability or cost for the expansion of this program. The Oakland County Sheriff's Office will annually solicit and recruit Reserve candidates from the City of Pontiac.

F. DISPATCH SERVICE

The Sheriff would discontinue the Police Dispatch operation currently in place as part of the City police department. All police dispatch services are included in the contracting price. All current police and fire dispatching operations would be consolidated in the Oakland County Sheriff's Office Central Dispatch system.

G. PONTIAC STATION

The Oakland County Sheriff's Office will establish a Sheriff's Station at the current police station in the City of Pontiac. This Station will be utilized by

designated by the City. He/she will maintain regular lines of communication with that Official and will be responsive to administrative and operational needs of the City, as related to him by the designated Official. Preparation of informational staff reports and attendance at requested meetings will be complied with weekly or when requested by the designated Official. All required State and Federal reporting of crimes will be submitted by the Oakland County Sheriff's Office.

L. EQUIPMENT

The County would be prepared to negotiate on the purchase of any equipment that the City would need to dispose of should this proposal be adopted.

III. CURRENT PONTIAC OFFICERS/DISPATCHERS

A. OFFICERS DISPLACED BY CONTRACT

All full-time Patrol Officers, Detectives, Sergeants, Lieutenants, Captains and the Chief are eligible to become full-time sworn members subject to the following criteria:

REQUIREMENTS

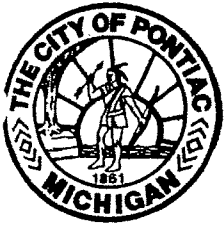
1. May be hired as Provisional Deputy:
 - (a) Must meet minimum qualifications for Deputy II:
 - Currently M.C.O.L.E.S. Licensed
 - Pass Background Investigation & Oral Interview
 - Pass Physical Exam
 - Pass Drug Screen

All current Pontiac full-time Dispatchers are eligible to become full-time Oakland County Sheriff's Office Dispatch Specialists.

IV. PROPRIETARY VS. CONTRACTUAL SERVICES

A. LIABILITY

All liability arising out of the conduct of the contracted deputies, whether they be acts or omissions, shall be the sole responsibility of the County of Oakland. The contract will hold the City of Pontiac harmless while assuming all liability for all conduct, including motor vehicle operation. Under the current Proprietary Services, the City of Pontiac assumes all responsibility for the conduct of its police officers.



CITY OF PONTIAC
EMERGENCY FINANCIAL MANAGER
MICHAEL L. STAMPFLER

47450 Woodward Avenue
Pontiac, Michigan 48342
Telephone: (248) 758-3136
Fax: (248) 758-3195

Dated: November 1, 2010

ORDER NO. S-28

RE: City of Pontiac Designation of Oakland County Sheriff Office
as PSAP for City 9-1-1 Calls

TO: Val Gross, Police Chief
Jeffrey Hawkins, Fire Chief
Mark Hotz, City Attorney
Yvette Talley, City Clerk
John Naglick, Acting Finance Director
Carl Johnson, Controller (Plante & Moran)
Oakland County 9-1-1 Coordinator
Ruth Johnson, Oakland County Clerk

2010 NOV - 4 P 4: 15
RECEIVED
CITY OF PONTIAC

The Local Government Fiscal Responsibility Act (Act 72 of 1990/MCL 141.1201, et. seq.) in Section 141.1219 empowers an Emergency Financial Manager to issue the orders a Manager considers necessary to accomplish the purposes of the Act and any such orders are binding on the local officials or employees to whom they are issued. **Section 141.1221 (1)** provides that an Emergency Financial Manager may take on one or more additional actions with respect to a local government in which a financial emergency has been determined to exist including: **(a)** Analyze factors and circumstances contributing to the financial condition of the unit of local government and recommend steps to be taken to correct the condition; **(e)** Examine all records and books of account, and require under the procedures of the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, or 1919 PA 71, MCL 21.41 to 21.55, or both, the attendance of witnesses and the production of books, papers, contracts, and other documents relevant to an analysis of the financial condition of the unit of local government; **(f)** Make, approve or disapprove any appropriation, contract, expenditure...; **(o)** Enter into agreements with other units of local government for the provision of services; and **(p)** Exercise the authority and responsibilities of the chief administrative officer and governing body concerning the adoption, amendment, and enforcement of ordinances or resolutions affecting the financial condition of the unit of local government as provided in...**(i)** The home rule city act...."

In the fiscal year 2010-2011, the City of Pontiac faces a General Fund Operating deficit of nearly \$9,000,000. If immediate action is not taken, that deficit will continue to grow in future years.

As Emergency Financial Manager, state law provides that I must develop a Financial Plan for the City to live within available resources. That Financial Plan was presented to the State Treasurer on September 1, 2010 and is posted on the City website.

Providing police and dispatch services is among the fundamental services to be provided by any municipality to citizens.

The dire financial situation of Pontiac has reached a point where it is no longer economically feasible to maintain a City Police Department, including police and fire dispatch services.

In order to avoid further police staff reductions, to maintain and improve police services to the public and to reduce costs, I have sought and received a proposal dated October 8, 2010 from the Oakland County Sheriff's Office to provide all police services and police/fire dispatch services in the City of Pontiac effective January 1, 2011 ("OCSO Proposal").

The OCSO Proposal, when enacted, will:

- (A) Continue police operations at the Police Station in Pontiac;
- (B) Maintain current police staffing levels at 74 sworn officers;
- (C) Place more sworn officers "on the streets" to timely respond to citizen calls and complaints;
- (D) Provide "24/7" contact between the public and OCSO at Police Station in Pontiac;
- (E) Provide employment opportunities to full-time Pontiac Police Department officers and dispatchers, subject to OCSO and County rules and regulations;
- (F) Save Pontiac over \$2,000,000 annually in reduced, direct budget expenses and additional support costs for police and dispatch services.

State law requires certain notification procedures in the event of changes in 9-1-1 service in Pontiac. In order to protect the public and effect an orderly transition of 9-1-1 services in the event of a contract between the City of Pontiac and the OSCO for police and dispatch services, the following orders are issued.

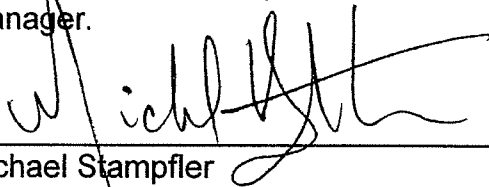
It is hereby ordered:

- (1) Pursuant to Section 318 of the Michigan Emergency Telephone Service Enabling Act (PA 32 of 1986, as amended) the City of Pontiac designates the Oakland County Sheriff Department as the Primary Public Safety Answering Point (PSAP) for all 9-1-1- calls originating from within the City, EFFECTIVE January 1, 2011;

- (2) Pursuant to Section 502 of the Michigan Emergency Telephone Service Enabling Act (PA 32 of 1986, as amended), the Pontiac Police Department shall cease functioning as a Primary PSAP within the Oakland County 9-1-1-Service District; and
- (3) The City of Pontiac directs the Oakland County 9-1-1 Coordinator, the Oakland County Clerk, and all applicable communication service providers to implement this directive by January 1, 2011.

Copies of the documents referenced in this Order are to be maintained in the offices of the City Clerk and the Law Department and may be reviewed and/or copies may be obtained upon submission of a written request consistent with the requirements of the Michigan Freedom of Information Act and subject to any exemptions contained in that state statute and subject to any exemptions allowed under that statute (**Public Act 442 of 1976, MCL 15.231, et. seq.**).

This Order is necessary in order to carry out the duties and responsibilities required of the Emergency Financial Manager as set forth in the **Local Government Fiscal Responsibility Act (Act 72 of 1990/MCL 141.1201, et. seq.)** and the contract between the Local Emergency Financial Assistance Loan Board and the Emergency Financial Manager.



Michael Stampfler
City of Pontiac
Emergency Financial Manager

cc: State of Michigan Department of Treasury
Mayor Leon B. Jukowski
Pontiac City Council



CITY OF PONTIAC
EMERGENCY FINANCIAL MANAGER
MICHAEL L. STAMPFLER

47450 Woodward Avenue
Pontiac, Michigan 48342
Telephone: (248) 758-3136
Fax: (248) 758-3195

Dated: October 14, 2010

ORDER NO. S-25

RE: Contract with SARCOM for Information Technology Services

TO: Richard Seay, Information Technology Manager
John Naglick, Acting Finance Director
Carl Johnson, Controller (Plante & Moran)
John Strauss, Vice President (SARCOM)

The Local Government Fiscal Responsibility Act (Act 72 of 1990/MCL 141.1201, et. seq.) in Section 141.1219 empowers an Emergency Financial Manager to issue the orders a Manager considers necessary to accomplish the purposes of the Act and any such orders are binding on the local officials or employees to whom they are issued. Section 141.1221 (1) provides that an Emergency Financial Manager may take on one or more additional actions with respect to a local government in which a financial emergency has been determined to exist including: "(e) Examine all records and books of account, and require under the procedures of the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a, or 1919 PA 71, MCL 21.41 to 21.55, or both, the attendance of witnesses and the production of books, papers, contracts, and other documents relevant to an analysis of the financial condition of the unit of local government"; and (f) Make, approve or disapprove any appropriation, contract, expenditure..."

It is hereby ordered:

- (1) A contract dated October 14, 2010 between SARCOM and the City of Pontiac is hereby approved, effective October 18, 2010.
- (2) SARCOM shall report to the Emergency Financial Manager or his designee on all matters pertaining to the contract with the City of Pontiac.
- (3) The Acting Finance Director shall provide SARCOM with an Order No. S-8 dated August 13, 2010 issued by the Emergency Financial Manager. SARCOM shall cooperate fully in any requests made by the City Auditor, Rehmann Robson.

The Order shall have immediate effect.

Copies of the documents referenced in this Order are to be maintained in the offices of the City Clerk and the Law Department and may be reviewed and/or copies may be obtained upon submission of a written request consistent with the requirements of the Michigan Freedom of Information Act and subject to any exemptions contained in that state statute and subject to any exemptions allowed under that statute (**Public Act 442 of 1976, MCL 15.231, et. seq.**).

This Order is necessary in order to carry out the duties and responsibilities required of the Emergency Financial Manager as set forth in the **Local Government Fiscal Responsibility Act (Act 72 of 1990/MCL 141.1201, et. seq.)** and the contract between the Local Emergency Financial Assistance Loan Board and the Emergency Financial Manager.



Michael Stampfer
City of Pontiac
Emergency Financial Manager

cc: State of Michigan Department of Treasury
Mayor Leon B. Jukowski
Pontiac City Council



Proposed Contract for:

City of Pontiac

Information Services Management & Operations

Presented by SARCOM Inc.

Joe Morley
Account Manager
joe.morley@sarcom.com
616-974-5803



October 5, 2010

City of Pontiac
47450 Woodward Avenue
Pontiac, Michigan 48342

On behalf of SARCOM, we thank you for the opportunity to respond to the City of Pontiac Request for Quote. Our objective is to clearly demonstrate our unmatched ability and qualifications to become your service provider. We are pleased to present SARCOM's proposal and are excited by the opportunity to further our successful relationship.

SARCOM's Team Experience and Qualifications

SARCOM has successfully engaged in numerous similar projects for large national clients consistently delivering desktop support services, server support services, and network management services since our inception in 1983. Our track record and references speak for themselves.

In addition to our invaluable years of industry experience, SARCOM offers the manufacturer relationships and certifications that are essential in providing service and support for our clients. We are a Cisco Gold Certified Partner and a Hewlett Packard Platinum Partner, the highest levels of authorization for these manufacturers. SARCOM has successfully provided the following services for the City of Portage since 2000 as well as Wayne County Airport Authority since 2002:

- Desktop support and maintenance services
- Server and network management services
- Call center services
- Asset inventory management services
- Asset disposal services

In providing these services, SARCOM has built a qualified and certified on-site technical team as well as experienced off-site resources that have been engaged for projects or filling in as required. In addition, SARCOM already has the experienced call center established. All of these resources bring experience and knowledge to offer a successful and consistent delivery of services with minimal interruptions or transition issues for your end-users.

Overall Business Solution

SARCOM is currently proposing a total staff of three (3) on-site team members providing services with additional resources estimated that reside off-site for contract management, professional services, and infrastructure support. At SARCOM we pride ourselves on our ability to be a full partner with our clients, working closely with you to make sure we are providing the required and desired level of service. All projects and contracts are managed and closely monitored tracking all requirements to make sure we remain in complete compliance.

Fees

SARCOM's success stems from our ability to deliver high levels of service while managing the cost efficiencies for our clients. SARCOM has demonstrated our commitment to you by consistently delivering client-focused service with the flexibility required to best meet your business needs while maintaining an aggressive cost model. If chosen, SARCOM will continue to work with the City of Pontiac to reduce service costs through innovative processes and tools.

SARCOM believes that our proposal offers you the best overall solution to meet your desired business goals. We look forward to developing a successful relationship and working with the City of Pontiac to achieve your goals going forward. We sincerely hope to be chosen as your continued partner as your organization moves to the next level in delivering world class services to your end users. If you have any questions or need clarification of any points within our proposed contract, please feel free to contact me at 616-974-5803 or via email at joe.morley@sarcom.com.

Regards,

Joe Morley - SARCOM Account Manager

10/04/2010
BPO181 - ALL EDMS MONTHLY
PAGE: 27
DEPT: 0005 Finance
FUND: 101 General Fund
ORGN: 179 Information Technology

BUDGET PERFORMANCE

ALYB CMTL ACCT TITLE		09-10 BUDGET		SEP 2009		SEP 09 YTD		10-11 BUDGET		SEP 2010 10-11 ACTUAL		RPM BALANCE & VAR	
60	71807 NPSA-General	\$7,072		\$589		\$2,758		\$6,314		\$1,153		\$5,765	17
COT													
72901 Printed Forms		\$400		\$0		\$0		\$400		\$0		\$400	0
72101 Personal Computer Supplies		\$0		\$0		\$0		\$1,000		\$0		\$1,000	0
73101 Personal Computer Software		\$0		\$0		\$0		\$59,100		\$0		\$59,100	0
73101 Computer Equipment (Supplies)		\$0		\$0		\$0		\$10,000		\$0		\$10,000	0
COT													
72 85100 Services - Communications-Tele		\$2,760		\$926		\$926		\$2,760		\$0		\$2,760	0
86101 Services - Travel-Mileage		\$1,100		\$0		\$1,100		\$500		\$0		\$500	0
91400 Insurance-Property Coverage		\$11,480		\$1,388		\$4,164		\$0		\$0		\$11,480	0
93212 Services - Maintenance-Comptr		\$500		\$0		\$0		\$500		\$0		\$500	0
94200 Services - Equipment Renti Non		\$2,500		\$106		\$106		\$2,500		\$0		\$2,500	0
COT													
73 81800 Other Professional Services		\$0		\$0		\$0		\$195,000		\$25,812		\$96,616	13
COT													
80 9691K Transfer out to Fund 729		\$16,233		\$577		\$1,730		\$7,380		\$0		\$1,230	17
COT													

499,886
332,171
164,829

Cost to
Other Dept.
Services.
1195,000
70,400
265,400
332,171

10/04/2010
BPO218 - ALL FUNDS MONTHLY
PAGE: 28
DEPT: 0005 Finance
FUND: 101 General Fund
ORGN: 179 Information Technology

BUDGET PERFORMANCE

Fiscal Year: 2010-2011
BY LINE ITEM

09-10 BUDGET	SEP 2009	SEP 09 YTD	10-11 BUDGET	SEP 2010 10-11 ACTUAL	REM BALANCE & VAR
\$611,873	\$26,920	\$76,867	\$597,571	\$44,345	\$92,786
					\$388,671

Of 597,571

Source: 000
\$497,000
144 more
332,171 is INFO TECH
expense

4 EMP

265,400 is
Citywide maint of OC
network, banner, AT&T
etc which will continue
w/ contractor

N



Subject: Re: ORDER NO. S-40

Respectfully,
John Naglick
Acting Finance Director

Lee A. Jones

Please be advised of Order No. S-40 (attached) below. I will also place a hard copy in your mail slots (in the Executive Office.)



January 19, 2011

Mr. Lee Jones
City of Pontiac
47450 Woodward Ave.
Pontiac, MI 48343

Re: Supervision of Department Heads

Dear Mr. Jones:

I have been asked by the City's Emergency Financial Manager, Michael Stampfler, to respond to your e-mail requests to City Department Heads regarding certain financial information.

As you are aware, in 2009, the Governor informed the Local Emergency Financial Assistance Loan Board of the existence of a local government financial emergency in Pontiac and assigned responsibility for the management of Pontiac to that Board. Subsequently, the Board has appointed two Emergency Financial Managers, most recently Mr. Stampfler who has broad statutory powers under Public Act 72 for the financial management of the City. Without in any way limiting any of those powers, they include:

- Supervise department heads (MCLA 141.1221(i));
- Determine the form of any special reports made by the finance officer (MCLA 141.1221(d));
- Authority to renegotiate existing labor contracts and act as agent of the city in collective bargaining (MCLA 141.1221(h));
- Exercise authority and responsibility as the Chief Administrative Officer *and governing body* concerning ordinances and resolutions effecting the financial condition of Pontiac (MCLA 141.1221(p));
- Issue orders necessary to accomplish the implementation of a financial plan developed by the Emergency Financial Manager (MCLA 141.1219).

Since assuming the duties of Emergency Financial Manager, Mr. Stampfler has forwarded to you and members of the City Council many communications and documents, including:

- A. Financial Plan for the City of Pontiac dated September 1, 2010;
- B. 40 Orders issued by the Emergency Financial Manager concerning the finances of the City and implementation of the Financial Plan;

ATTORNEYS & COUNSELORS AT LAW

38505 Woodward Ave., Suite 2000 • Bloomfield Hills, MI 48304 • T: (248) 901-4000 • F: (248) 901-4040 • plunkettcooney.com

Mr. Lee Jones
January 19, 2011
Page 2

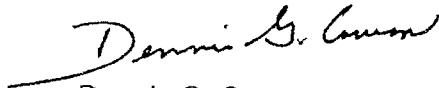
C. The 2009-2010 City Audit conducted by Rehmann Robson.

In addition, at your request, Mr. Stampfler has met personally with you on several occasions to discuss City finances.

Your request in your email dated January 19, 2011 is inconsistent with the powers as delegated to the Emergency Financial Manager under Public Act 72. Consequently, please refrain from making any such requests to the Department Heads conflicting with the legal powers of the Emergency Financial Manager. Public Act 72 further provides that elected officials of a local government shall provide assistance as properly requested by an Emergency Financial Manager in effectuating his duties and powers. (MCLA 141.1224.) At this time, the Emergency Financial Manager asks for your assistance in this regard.

Sincerely,

PLUNKETT COONEY



Dennis G. Cowan
Direct Dial: (248) 901-4029
Email: dcowan@plunkettcooney.com

DGC/dam

cc: Michael L. Stampfler, Esq.
Leon Jukowski
Allan Schneck
Devin Scott
John Naglick
Mark Hotz, Esq.
Yvette Talley
Donald Watkins
George Williams
Kermit Williams
Mary Pietila
Patrice Waterman
Randolph Carter



CITY OF PONTIAC
EMERGENCY FINANCIAL MANAGER

MICHAEL L. STAMPFLER

47450 Woodward Avenue
Pontiac, Michigan 48342
Telephone: (248) 758-3133
Fax: (248) 758-3292

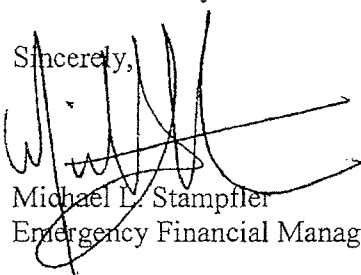
February 11, 2011

Lee A. Jones, Council President
City of Pontiac
Pontiac City Council
47450 Woodward Avenue
Pontiac, Michigan 48342

RE: Proposed Staffing/Shift Assignments

Attached is a report concerning review of the proposal you distributed re: "Proposed Staffing/Shift Assignments by Council" received in this office on February 4, 2011, by the Plunkett Cooney law firm – handling labor law in this matter.

Sincerely,



Michael L. Stampfler
Emergency Financial Manager

Attachment

cc: Mayor Leon Jukowski
Pontiac City Council



February 11, 2011

VIA EMAIL ONLY

**ATTORNEY-CLIENT
PRIVILEGED INFORMATION**

Michael Stampfler
Emergency Financial Manager
City of Pontiac
47450 Woodward Ave.
Pontiac, MI 48342

Re: City Council Proposed Staffing/Shift Assignments

Dear Mr. Stampfler:

You have forwarded to us for review a one-page document entitled, "Proposed Staffing/Shift Assignments by Council," received by your office on February 4, 2011 ("Council Document").

In reviewing the Council Document, it is not possible to give a thorough evaluation due to incomplete information:

1. The Council Document assumes a sworn officer force of 68 officers. Currently, there are only 52 sworn officers working in the Pontiac Police Department.
2. In providing for a police manning level of 68 officers, the Council Document fails to indicate how the additional 16 officer positions would be funded, or how overtime costs would be impacted.
3. The Council Document refers to "flexible usage alternative work schedules." There is no detail provided on what is meant by a "alternative work schedule" and whether such staffing has been discussed with the affected bargaining units.
4. The Council Document is silent on the management of the Police Department's Property/Evidence Room, which a recent Audit Report by Rehmann Robson indicated has significant management problems and the status of the Narcotics Enforcement Team (NET) officer, which the City provides to a task force coordinated by the Oakland County Sheriff's Department.

ATTORNEYS & COUNSELORS AT LAW

38505 Woodward Ave., Suite 2000 • Bloomfield Hills, MI 48304 • T: (248) 901-4000 • F: (248) 901-4040 • plunkettcooney.com

Michael Stampfler
Emergency Financial Manager
City of Pontiac
February 11, 2011
Page 2

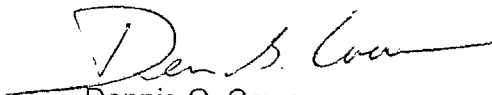
**ATTORNEY-CLIENT
PRIVILEGED INFORMATION**

Based on the inadequacies and deficiencies in the Council Document, as stated above, it is not possible to determine the financial and staffing impact of this proposal.

If you have any further questions regarding our review of the Council Document, please feel free to contact us at your earliest convenience.

Sincerely,

PLUNKETT COONEY

A handwritten signature in black ink, appearing to read "Dennis G. Cowan", written over a horizontal line.

Dennis G. Cowan
Direct Dial: (248) 901-4029
Email: dcowan@plunkettcooney.com

DGC/cmw
cc: Gary Francis

Open.21363.02144.10699718-1

PROPOSED STAFFING/SHIFT ASSIGNMENTS BY COUNCIL

	<u>DAY SHIFT</u>	<u>AFTERNOON</u>	<u>MIDNIGHT</u>
CHIEF/MAYOR	1		
PATROL LT. /CAPTAIN	1	1	0
DETECTIVE SGT.	1	0	0
PATROL SGT.	2	2	2
PARTOL OFFICERS	13	17	14
PATROL WARRANT	0	0	0
PATROL INVESTIGATORS (5)?		0	0
SCHOOL LIASON OFFICER	1	0	0
POWER SHIFT	0	3	0
DIRECTED PATROL	0	5	0
TOTAL PER SHIFT	24	28	16

This leaves you five (5) officers to be placed in the Patrol Investigators or Detective Positions, and one (1) for Patrol Warrant Officer. The options can be flexible usage alternative work schedules? Meaning not assigned and can change shifts and assignment as needed!

RECEIVED
FBI'S OFFICE
11 FEB - 4 AM 7:41



CITY OF PONTIAC
EMERGENCY FINANCIAL MANAGER

MICHAEL L. STAMPFLER

47450 Woodward Avenue

Pontiac, Michigan 48342

Telephone: (248) 758-3133

Fax: (248) 758-3292

FOR IMMEDIATE RELEASE

Date: January 27, 2011

Fitch Bond Ratings: Financial Reality in Pontiac

Pontiac, MI — January 27, 2011 — I am forwarding for your information the attached News Release from Fitch Ratings, which clearly and concisely indicates the level of financial distress of the City of Pontiac, along with the attached statement by John Axe of MFCI, serving as financial advisors to the Emergency Financial Manager.

The analysis by Fitch Ratings is independent of the City and the Emergency Financial Manager and is instructive to all concerned parties, as Fitch evaluates municipal finances across the nation. Continued efforts in areas such as moving the police/dispatch services to the County and other cost reductions are critical to decrease the operating and structural deficits of the City of Pontiac.

The statements by Fitch Ratings correctly represent and confirm Pontiac's reality. I understand this reality. Others with true concern for Pontiac must also come to understand this reality and necessary changes this demands.

For further information, please call Michael Stampfler at (248) 758-3133.

— End —



MEMORANDUM

**TO: MICHAEL STAMPFLER, EMERGENCY FINANCIAL MANAGER
CITY OF PONTIAC**

**FROM: JOHN R. AXE, CONSULTANT
MUNICIPAL FINANCIAL CONSULTANTS INCORPORATED**

**RE: FITCH RATINGS ON THE CITY'S GENERAL OBLIGATION BONDS;
TIFA BONDS; WATER AND SEWER REVENUE BONDS**

DATE: JANUARY 27, 2011

I am enclosing herewith, two press releases from Fitch Ratings. These press releases dated January 25 and 26, 2011 announce the action taken by Fitch to do the following:

1. The City's Building Authority Bonds and the outstanding TIFA Bonds were downgraded to "CCC" from "B."
2. The City's Water Revenue Bonds and Sewer Revenue Bonds were downgraded from "B" to "B-."

This action reflects a steeper slide into "junk bond" status for the City since the City's former credit rating from Fitch on all of these issues was below "BBB-," which is the bottom rating for "Investment Grade Securities." In other words, the City's former and current ratings are both in the "junk bond" category.

I noted that in the credit summary, which was included in the release, the following statement was included:

"Fitch's upgrade of outstanding debt in April 2010 was based, in part, on projections provided by the former EFM for 2011 and beyond that were not accurate in estimating certain revenues."

If you have any questions please let me know.

Jra.m-EFM.Fitchratings




Tagging Info

Fitch Downgrades Pontiac, Michigan's GOs and TIFAs to 'CCC'; Outlook to Stable

Ratings
25 Jan 2011 5:36 PM (EST)

Fitch Ratings-New York-25 January 2011: Fitch Ratings takes the following rating action on the bonds of the City of Pontiac MI (the city) and the Pontiac Tax Increment Finance Authority (TIFA) as part of its continuous surveillance effort:

- Approximately \$8 million Pontiac General Building Authority (authority) limited tax general obligation (GO) bonds, series 2002, downgraded to 'CCC' from 'B';
- Approximately \$4 million Pontiac TIFA, development area no. 2 bonds, series 2002, downgraded to 'CCC' from 'B';
- Approximately \$25 million Pontiac TIFA, development area no. 3 bonds, series 2002, downgraded to 'CCC' from 'B'.

The bonds are also removed from Rating Watch Negative and assigned a Stable Outlook.

Rating Rationale:

- The downgrades reflect the lack of improvement in the city's general fund financial position which was expected with the appointment by the state in March 2009 of an emergency financial manager.
- Fitch expects that options to restore any meaningful structural balance in the near term are extremely limited given the continued decline in revenues.
- Pledged revenues securing the TIFA bonds, which include gross tax increment revenues, were insufficient to cover debt service due in 2010. The TIFA bonds do not benefit from a general fund pledge or a funded debt service reserve, making them particularly vulnerable to declining tax revenue. However, Fitch believes the additional default risk is not enough to warrant a lower rating than the rating on the GO bonds.
- The revised 2011 budget shows a large operating shortfall and accumulated deficit absent corrective actions that Fitch believes may be difficult to obtain.
- The 2010 audit is qualified and identifies numerous significant deficiencies.
- Pontiac is an extremely economically stressed city in the Detroit metropolitan area with unemployment rates among the highest in the nation resulting from its significant exposure to General Motors (GM).
- Tax-base contraction continues and outstanding appeals by GM pending will likely further pressure property tax collections.
- The debt profile is manageable and pensions are well-funded.

Key Rating Drivers:

- Management's ability to take corrective measures to further reduce expenditures in light of continued revenue declines and the city's potentially significant tax appeal liabilities.
- Trends in the extremely weak economy.
- Availability of timely financial and other information, about which Fitch has concerns given management and staffing turnover, is key to maintaining the rating. A lack of such information would necessitate a rating withdrawal.

Security:

The authority bonds are a limited tax general obligation of the city payable to the authority. The TIFA no.2 and 3 bonds are limited obligations of the TIFA payable from tax increment revenues collected in the development areas no. 2 and no. 3, respectively. There is no funded debt service reserve available for the TIFA bonds.

Credit Summary:

As reflected in the 'CCC' rating, Fitch believes Pontiac will continue to struggle economically and financially as it has for many years. Following multiple years of weak financial performance, a state appointed Emergency Financial Manager (EFM) was put in place in March of 2009. The EFM is tasked with overseeing and managing the city's financial operations and to develop a plan to eliminate the deficit within five years. The state of Michigan uses the EFM process to restructure the financial accounts of the most severely challenged communities; the manager's purview extends to labor negotiations, hiring, spending, and most other financial concerns. Fitch anticipated that the presence of the EFM would provide a degree of stability to the city, but turnover in this position and an apparent lack of progress in stabilizing financial operations has led to concerns regarding management's ability to take the needed actions. These concerns are compounded by a very weak revenue picture and questions about both management's and Fitch's ability to obtain consistently accurate and timely

financial information.

The city's financial position has been extremely weak for many years as evidenced by negative general fund reserves levels, a large accumulated deficit, and the use of water, sewer and internal services funds for general fund purposes. Audited results for fiscal 2010 (fiscal year end June 30) produced a qualified audit opinion and identified multiple significant deficiencies and weakness. A small year-end surplus of \$700,000 in the general fund was attributable to several one-time revenue gains and significant spending cuts, and the fiscal year-end fund balance position was negative \$4.1 million or a high negative 10.1% of spending.

The fiscal 2011 budget, which was approved by the former EFM, has been revised by the current EFM after he identified numerous concerns with the adopted budget including the non-payment of property taxes by Motors Liquidation Company (formerly part of GM), outstanding property tax appeals by GM, and the need for the general fund to support TIFA fund deficits. Revenues from all sources continue to perform well below budget. Captured tax increment revenues to support the TIFA no. 2 and no. 3 bonds were insufficient in fiscal 2010 to cover debt service payments and the city reports that there are no funds available in the debt service reserve fund. The general fund made up the difference although such payments in the future are uncertain.

With expenditures for police and fire making up almost 64% of general fund expenditures, the current EFM has proposed moving city police and dispatch services to Oakland County. The plan has not yet been approved by council, and the level of cost savings if it were to be approved is unclear. In November 2010, 84 city positions including some in public safety were terminated, but further cuts and labor concessions will be critical to reducing the city's deficit. Management continues to look at asset sales and privatization of services including its water and sewer systems and parking facilities. Fitch believes the accumulated deficit may persist well beyond 2013.

Located in the Detroit metropolitan area with about 66,000 residents, Pontiac has been hard hit by the decline of the auto industry. Employment at GM, once at about 15,000, declined to 3,000 after the closure of both its truck and assembly plants in 2009. Smaller local employers have remained relatively stable, although all employment sectors saw declines in 2010. While down from a very high 31.1% in October of 2009, the city's unemployment rate remains high at 26% in October 2010 compared to the state and national rates of 12% and 9.1%, respectively. The city's property tax base continues to contract, declining almost 15% in 2010. Income levels are extremely weak with a median household income of just 65% of the state average and a poverty level double the state's and nation's.

Debt levels are low with average amortization at 52% in 10 years. The city's pension programs remain well-funded.

Contact:

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Senior Director
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Fitch, Inc.
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New York, New York 10004

Secondary Analyst
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Senior Director
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Committee Chairperson
Jose Acosta
Managing Director
+1-512-215-3726

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in Fitch's Tax-Supported Rating Criteria, this action was additionally informed by information from Creditscope, University Financial Associates, LoanPerformance, Inc., and IHS Global Insight.

Applicable Criteria and Related Research:

'Tax-Supported Rating Criteria', dated Aug. 16, 2010;

'U.S. Local Government Tax-Supported Rating Criteria', dated Oct. 8, 2010.

For information on Build America Bonds, visit 'www.fitchratings.com/BABs'.

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

U.S. Local Government Tax-Supported Rating Criteria

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